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**GENERAL DISTRIBUTORS OF CANADA LTD.**

*Annual  
Report*

FISCAL YEAR ENDED JANUARY 31, 1973



The Annual and Special General Meeting of Shareholders  
will be held Friday, April 27, 1973 at 11:00 a.m. at  
the Winnipeg Inn, Winnipeg, Man.



## GENERAL DISTRIBUTORS OF CANADA LTD.

### HIGHLIGHTS OF RESULTS

#### 1973 FISCAL YEAR

	<u>1973</u>	<u>1972</u>	<u>Increase</u>	<u>%</u>
Sales	\$128,299,000	\$106,028,000	22,271,000	21
Net earnings for the year	4,850,000	3,348,000	1,502,000	45
Earnings per common share	\$1.59	\$1.10	.49	
Merchandise inventories	23,984,000	16,909,000	7,075,000	42
Working capital	16,065,000	12,035,000	4,030,000	33
Number of common shareholders	1,114	1,443	(329)	



## **GENERAL DISTRIBUTORS OF CANADA LTD.**

Head Office: 1370 Sony Place, Winnipeg, Manitoba R3C 3C3

### **DIRECTORS**

ALBERT D. COHEN	President, General Distributors Limited	Winnipeg, Man.
HARRY B. COHEN	Director, General Distributors Limited	Calgary, Alta.
JOHN C. COHEN	Director, General Distributors Limited	Toronto, Ont.
JOSEPH H. COHEN	Director, General Distributors Limited	Vancouver, B.C.
MORLEY M. COHEN	President, Metropolitan Stores of Canada Limited	Montreal, P.Q.
SAMUEL N. COHEN	Vice-Chairman of the Board, Metropolitan Stores of Canada Limited	Winnipeg, Man.
F. N. HUGHES	President, Oil Patch Industries Ltd.	Edmonton, Alta.
G. R. HUNTER, Q.C.	Partner, Pitblado & Hoskin	Winnipeg, Man.
CAMERON G. MANN	President, Cam-Gard Supply Ltd.	Winnipeg, Man.

### **OFFICERS**

ALBERT D. COHEN	President & Chief Executive Officer
HARRY B. COHEN	Vice-President
JOHN C. COHEN	Secretary
SAMUEL N. COHEN	Treasurer
G. D. B. POFF, C.A.	Comptroller
S. R. LYON, Q.C.	General Counsel and Assistant Secretary

Registrar and Transfer Agent

THE CANADA TRUST COMPANY  
232 Portage Ave., Winnipeg.

Auditors

McDONALD, CURRIE & CO.  
Richardson Bldg.,  
One Lombard Place, Winnipeg R3B 0X6



## REPORT OF DIRECTORS

To the Shareholders of  
General Distributors of Canada Ltd.

Your directors are pleased to report another year of substantial growth in your company's operations. Sales of Sony products and in the wholesale electronic sector enjoyed notable increases in the past fiscal year. The buoyant retail market was also reflected in the excellent results of Metropolitan Stores of Canada Limited's junior department store outlets. In short, the year now reported upon was the most satisfactory in your company's history.

### SALES

Consolidated sales of the company for the year ended January 31, 1973, were \$128,299,000, a 21% increase over consolidated sales of \$106,028,000 in the previous year.

### EARNINGS

Consolidated net earnings of the company on operations for the 1973 fiscal year (after taxes) were \$4,850,000. This represents an increase of 45% over 1972 net earnings of \$3,348,000. Based on 3,059,020 common shares outstanding, earnings per share in 1973 were \$1.59, compared to \$1.10 in 1972 when the outstanding common shares numbered 3,045,760.

### CAPITALIZATION

On March 19, 1973, your Board of Directors passed a by-law subdividing each of the common shares without nominal or par value of the company into two shares, subject to approval by the shareholders at the annual and special general meeting to be held on April 27, 1973, and the subsequent issue of Supplementary Letters Patent.

### DIVIDENDS

The Board has not declared any dividend on the common stock. This policy will be kept under review.

### GENERAL DEVELOPMENT

The company's largest subsidiary, Metropolitan Stores of Canada Limited, undertook the greatest expansion in outlets since its acquisition in 1961, adding a total of seventeen new store sites to its cross-Canada chain of junior department stores in fiscal 1973. Coupled with this notable growth in selling area, Metropolitan and its wholly-owned subsidiaries, Greenberg Stores Limited and Saan Stores Ltd., enjoyed an increase in sales of 15% with net earnings applicable to common shares of \$3,342,000, which was 31% higher than net earnings in 1972.

For the present fiscal year, the company is planning the addition of a further 360,000 sq. ft. of gross selling area through the opening of eleven new Met stores, five Saan stores and one new and one expanded Greenberg store. The company has also embarked on a programme of introducing new merchandising areas such as sports and leisure supplies, yard goods and

home entertainment centres to its diversified lines in larger outlets.

A copy of Metropolitan's annual report will be forwarded on request.

### CAM-GARD SUPPLY LTD.

The company's wholly-owned wholesale electronic subsidiary will have as its major undertaking in the current fiscal year the completion and occupancy of a new head office and warehouse facility in Winnipeg to be built by the parent company. This new addition to the company's plant will entail a 54,000 sq. ft. building housing the subsidiary's central warehouse, head office personnel, new Winnipeg branch outlet and Jana products division. Completion date of this major project is anticipated for the late summer of 1973. Cam-Gard is also replacing its existing leased branch with a new company-owned branch outlet in Kamloops, B.C., scheduled for opening in August.

### SONY

Consumer demand for Sony Trinitron color television receivers during the fiscal year 1973 showed strong gains. The outstanding performance of the exclusive Trinitron color picture tube has been well accepted. Two models of a 15" screen size Trinitron are being introduced to the line this year. Color television is expected to remain a major contributor to 1973-1974 Sony sales.

Sony hi-fi components showed an above average increase in sales over the previous year. This trend is expected to continue.

Sony radios and tape recorders continue to use the most advanced technology and many unique models have been introduced in the line. Ferrite recording heads and the inclusion of the dolby noise reduction system in Sony decks plus the new Sony chromium dioxide tape have allowed the cassette tape recorders to assume a larger share of the high performance tape recorder market.

Company service depots have been opened during the year in Halifax and Saskatoon. It is expected that three additional company depots will be opened in the next year to augment the already established 160 authorized Sony Warranty Stations which provide convenient facilities for Canadian Sony customers.

### SONY LANGUAGE LABORATORY

Sony language laboratory teaching equipment was introduced to the university, college and high school markets for the first time last year. The acceptance of the equipment by the institutions was beyond expectations. Major installations are now in use in every province across Canada. The company looks forward to continuing expansion in the language laboratory and teaching equipment division.



## BRANCH DEVELOPMENT

A second major construction endeavour undertaken by the parent company this year will be a 60,000 sq. ft. branch office and warehouse currently under construction for use by the wholly-owned subsidiary, General Distributors Limited, in the Toronto market area. Increasing product demand in this populous region has necessitated the investment in site and building to accommodate the growth of Sony sales in central Canada. Completion of the new facility for occupancy will occur in July, 1973.

Because of the increased sales volume in the Ottawa region, your directors determined that a full line branch operation should be opened in that centre. Thus on February 1st, 1973, a new branch facility was created which will occupy new and expanded leased premises containing a stocking warehouse, service and office facilities. The branch is expected to operate from its new quarters in late 1973.

Your Company also acquired last year a building site in Montreal to accommodate the future needs of the Montreal branch of General Distributors Limited. Expanding sales in this market area will soon require a new stocking warehouse, service and office facility to keep pace with market demands.

## SONY CHEMICAL PRODUCTS

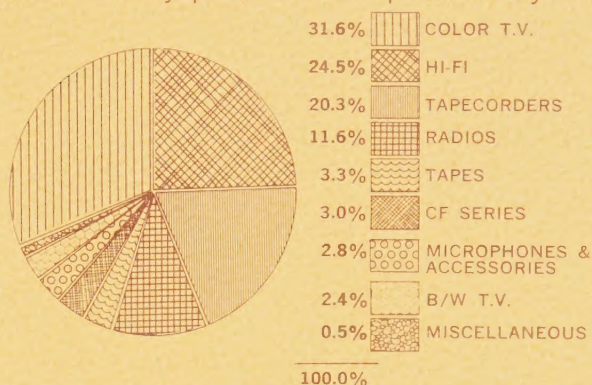
During the year, a new marketing division was formed to distribute the products of Sony Chemical Corporation. The first of this growing product line is a double sided, pressure sensitive, foam adhesive called "ReTack" which was test-marketed in the Vancouver area in June, 1972. As a result, ReTack is now being introduced to the Western Canadian market and distribution is planned for Eastern Canadian markets in the fall of 1973, at which time a full line of adhesives will be available for sale.

## WINNIPEG SHOWROOM

To satisfy the ever increasing consumer demand to view the full line of Sony electronic home entertainment products, General Distributors Limited this year opened its first major showroom facility in Canada in Place Louis Riel, Winnipeg. Sony has achieved notable success by introducing its products to consumers in such facilities in many parts of the world. Consumers are able to have the various items of the product line demonstrated by trained personnel who in turn can direct the consumers to retail sales outlets. The Winnipeg showroom, whose contemporary fixturing has already attracted one international design award, has become an integral part of the company's sales promotion programme which now encompasses lighted spectacular signs, radio, television and printed advertising in all parts of Canada.

## SALES

The chart below indicates the division of Canadian sales by product in the past fiscal year:



## GENERAL

Sales of Sony products by General Distributors Limited enjoyed an outstanding increase in the past fiscal year, with Trinitron color television becoming the leader of the product line in sales volume. The recent round of international monetary changes has resulted in a further re-valuation of the Japanese yen which in turn will be reflected in higher prices to the Canadian consumer for all products imported from Japan. Your directors are confident that consumer support for Sony will remain buoyant in the current year, notwithstanding price increases dictated by world monetary changes.

## OUTLOOK

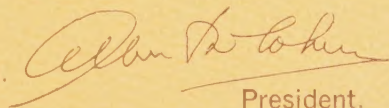
Junior department store sales appear to be well established for the early months of the current fiscal year. Consumer demand for wholesale electronics and Sony products also remains high. Barring unanticipated changes in the world and domestic economy, your Board looks forward to another year of growth and progress in all sectors of its operations.

## IN APPRECIATION

In a period of unprecedented expansion such as has been experienced in the last fiscal year, your Board is ever mindful of the contribution made to the company's success by its staff, suppliers, customers and shareholders. To all, the Board extends its deep appreciation for their continuing loyalty and support.

The Board is pleased to record its thanks to all members of the Sony organization for their close co-operation in developing Sony sales to their highest level ever in Canada. The extensive visit to Canada this past year of Mr. Masaru Ibuka, Chairman of the Board, Sony Corporation, was a memorable highlight of the year's activities.

Winnipeg, Canada.  
March, 1973.

  
President.



**GENERAL DISTRIBUTION  
AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**

**ASSETS**

**CURRENT ASSETS**

	1973 \$	1972 \$
Cash and short-term deposits	646,160	1,406,208
Receivables (note 2)	8,030,407	6,155,001
Inventories — at the lower of cost or net realizable value	23,984,267	16,909,244
Deposits on merchandise	—	1,434,304
Prepaid expenses	573,337	383,304
	<u>33,234,171</u>	<u>26,288,061</u>

**INVESTMENTS — at cost**

Sony Corporation — common shares (quoted value \$7,450,000; 1972 — \$3,168,000)	560,698	560,698
Advances and sundry investments	124,690	138,871
	<u>685,388</u>	<u>699,569</u>

**FIXED ASSETS**

Land — at cost	6,398,196	5,839,027
Buildings, fixtures and equipment — at cost, less accumulated depreciation (note 3)	12,578,213	12,080,743
Leasehold improvements — at cost, less amortization	1,634,974	1,464,186
Construction in progress (note 11)	47,714	—
	<u>20,659,097</u>	<u>19,383,956</u>

**OTHER ASSETS**

Deferred charges — at cost, less amortization	187,805	76,139
Excess of purchase price of subsidiaries over equity in net assets at date of acquisition	2,998,006	2,938,378
	<u>3,185,811</u>	<u>3,014,517</u>
	<u>57,764,467</u>	<u>49,386,103</u>

ALBERT D. COHEN

Signed on behalf of the Board

DIRECTORS

S. N. COHEN



T AS AT JANUARY 31, 1973

## LIABILITIES

### CURRENT LIABILITIES

	1973 \$	1972 \$
Bank advances (note 2)	2,488,086	3,672,210
Notes payable	600,000	4,000,000
Accounts payable and accrued liabilities	11,519,649	4,300,426
Income and other taxes	2,265,834	1,990,917
Long-term debt instalments due within one year	295,467	289,576
	<u>17,169,036</u>	<u>14,253,129</u>

LONG-TERM DEBT (note 4)	5,056,714	5,580,760
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DEFERRED INCOME TAXES	681,365	594,558
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MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY COMPANIES	<u>14,056,236</u>	<u>13,093,504</u>
	<u>36,963,351</u>	<u>33,521,951</u>

### SHAREHOLDERS' EQUITY

#### CAPITAL STOCK (note 5)

Authorized —  
5,000,000 shares without nominal or par value

Issued and fully paid — 3,059,020 shares (1971 — 3,045,760 shares)	5,421,746	5,335,218
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RETAINED EARNINGS	<u>15,379,370</u>	<u>10,528,934</u>
	<u>20,801,116</u>	<u>15,864,152</u>

	<u>57,764,467</u>	<u>49,386,103</u>
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# GENERAL DISTRIBUTORS OF CANADA LTD. AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS FOR THE YEAR ENDED JANUARY 31, 1973

	1973 \$	1972 \$
SALES (note 9)	128,299,357	106,027,857
COST OF GOODS SOLD AND OPERATING EXPENSES (notes 6 and 8)	<u>115,331,645</u>	<u>96,205,443</u>
	12,967,712	9,822,414
PROVISION FOR INCOME TAXES		
Current	6,117,393	4,889,925
Deferred	86,807	35,125
	<u>6,204,200</u>	<u>4,925,050</u>
	6,763,512	4,897,364
MINORITY INTEREST IN NET EARNINGS OF SUBSIDIARY COMPANIES	<u>1,913,076</u>	<u>1,549,057</u>
NET EARNINGS FOR THE YEAR	4,850,436	3,348,307
RETAINED EARNINGS — BEGINNING OF YEAR	10,528,934	7,180,627
RETAINED EARNINGS — END OF YEAR	<u>15,379,370</u>	<u>10,528,934</u>
EARNINGS PER SHARE (note 10)	\$1.59	\$1.10

## CONSOLIDATED STATEMENT OF SOURCE AND USE OF WORKING CAPITAL FOR THE YEAR ENDED JANUARY 31, 1973

	1973 \$	1972 \$
SOURCE OF WORKING CAPITAL		
Earnings before minority interest	6,763,512	4,897,364
Items not affecting working capital —		
Depreciation of fixed assets and amortization of leasehold improvements and deferred charges	1,859,552	1,661,883
Deferred income taxes	86,807	35,125
Provided from operations	8,709,871	6,594,372
Proceeds from issue of shares	86,528	68,821
Realization of investments and advances	14,181	83,841
Mortgage proceeds	38,497	100,000
	<u>8,849,077</u>	<u>6,847,034</u>
USE OF WORKING CAPITAL		
Payment of long-term debt including purchase of sinking fund bonds of subsidiary company — net	562,543	775,400
Additions to fixed assets — net	3,015,048	2,098,855
Shares of subsidiary companies acquired for cash	91,281	—
Investments and advances	—	15,186
Deferred charges incurred	231,310	89,552
Preferred dividends of subsidiary company	311,907	325,704
Common dividends of subsidiary company	269,625	122,870
Redemption of preferred shares of subsidiary company	337,160	132,340
	<u>4,818,874</u>	<u>3,559,907</u>
INCREASE IN WORKING CAPITAL	4,030,203	3,287,127
WORKING CAPITAL — BEGINNING OF YEAR	12,034,932	8,747,805
WORKING CAPITAL — END OF YEAR	<u>16,065,135</u>	<u>12,034,932</u>



# GENERAL DISTRIBUTORS OF CANADA LTD. AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JANUARY 31, 1973

### 1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the assets, liabilities and operating results of all subsidiary companies from the dates of acquisition.

### 2. BANK ADVANCES

The book debts of certain subsidiary companies have been pledged as security for bank advances to those companies.

### 3. FIXED ASSETS

Buildings, fixtures and equipment and related accumulated depreciation are classified as follows:

	1973			1972
	Cost	Accumulated depreciation	Net	Net
	\$	\$	\$	\$
Buildings	10,281,944	3,021,294	7,260,650	7,526,745
Fixtures and equipment	12,827,533	7,509,970	5,317,563	4,553,998
	<u>23,109,477</u>	<u>10,531,264</u>	<u>12,578,213</u>	<u>12,080,743</u>

### 4. LONG-TERM DEBT

The long-term debt is classified as follows:

	1973	1972
	\$	\$
Metropolitan Stores of Canada Limited — bank loan secured by a first mortgage, payable in semi-annual instalments of \$100,000 bearing interest at prevailing bank rates	600,000	800,000
Metropolitan Stores of Canada Limited — 6½% first mortgage sinking fund bonds, Series "A", having a sinking fund requirement of \$270,000 in 1973 with progressively increasing annual requirements to a final maximum payment of \$540,000 in 1984. (At January 31, 1973, bonds with a value of \$539,000 had been purchased in advance of requirements.)	4,166,000	4,421,000
Metropolitan Stores of Canada Limited — 6¾% mortgage repayable by 1984 in monthly instalments of principal and interest of \$3,759	352,950	373,804
Metropolitan Stores of Canada Limited — 6% mortgage repayable in annual instalments of principal of \$20,000	80,000	100,000
Greenberg's Department Stores (1962) Ltd. — 5% unsecured notes repayable by 1975 in annual instalments of principal of \$40,000	120,000	160,000
General Distributors of Canada Ltd. — 6% mortgage repayable by April 1975 in monthly instalments of principal and interest of \$1,227	33,231	—
General Distributors Limited — 6¾% mortgage repayable by 1973 in monthly instalments of principal and interest of \$792	—	15,532
	<u>5,352,181</u>	<u>5,870,336</u>
Less: Instalments due within one year	<u>295,467</u>	<u>289,576</u>
	<u>5,056,714</u>	<u>5,580,760</u>

### 5. CAPITAL STOCK

- (a) In 1968 the company reserved 50,000 unissued common shares for stock options. At January 31, 1973 options had been exercised on 42,020 shares, of which 13,260 shares were issued during the year for a cash consideration of \$86,528 on exercise of stock options.

As at January 31, 1973 the company has granted options, all of which expire prior to September 1, 1977, to purchase unissued common shares at prices ranging from \$6.50 to \$29.70 per share, being 90% of the market price on the dates of granting options to:

	Unissued shares
Directors and officers	2,100
Other employees	<u>4,180</u>
	<u>6,280</u>

A further 1,700 shares are available for reallocation as provided in the plan.

- (b) Metropolitan Stores of Canada Limited has reserved 55,000 unissued common shares for stock options. As at January 31, 1973 the company has granted options, all of which expire prior to February 2, 1978, to purchase unissued common shares at prices ranging from \$16.20 to \$19.69 per share, being 90% of the market price on the dates of granting the options to:

	Unissued shares
Directors and officers	39,000
Other employees	<u>7,000</u>
	<u>46,000</u>



# GENERAL DISTRIBUTORS OF CANADA LTD. AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JANUARY 31, 1973

### 6. COST OF GOODS SOLD AND OPERATING EXPENSES

The following expenses (income) are included:

	1973	1972
	\$	\$
Depreciation of fixed assets and amortization of leasehold improvements	1,739,908	1,600,837
Amortization of deferred charges	119,644	61,046
Interest on long-term debt	354,507	401,711
Income from investments	(11,549)	(14,675)

### 7. LEASE COMMITMENTS

Rentals paid on property leases for the year ended January 31, 1973 amounted to \$4,154,000 (1972 — \$3,399,000). Minimum annual rentals in subsequent years on long-term property leases in effect at January 31, 1973 are:

Year ended January 31,	Minimum annual rental
	\$
1974	2,871,000
1975	2,777,000
1976	2,614,000
1977	2,519,000
1978	2,380,000

Certain of these leases provide for additional rental based on sales. In addition, there are leases where rentals are based entirely on sales.

### 8. REMUNERATION OF DIRECTORS AND OFFICERS

	1973		1972	
	9 Directors (4 officers were also directors)	6 Officers	9 Directors (4 officers were also directors)	6 Officers
	\$	\$	\$	\$
Remuneration paid by:				
General Distributors of Canada Ltd.	1,800	5,000	1,800	50,000
General Distributors Limited	—	243,500	—	94,700
Cam-Gard Supply Ltd.	—	45,000	—	40,000
Saan Stores Ltd.	—	73,600	—	62,733
Metropolitan Stores of Canada Limited	6,000	148,400	6,000	143,400
	<u>7,800</u>	<u>515,500</u>	<u>7,800</u>	<u>390,833</u>

### 9. DIVERSIFIED OPERATIONS

Gross revenue by class of business was as follows:

	1973	1972
	\$	\$
Sony and other electronic products	41,145,932	30,346,054
Junior department and variety stores	87,153,425	75,681,803
	<u>128,299,357</u>	<u>106,027,857</u>

### 10. EARNINGS PER SHARE

Earnings per share are calculated using the weighted monthly average number of shares outstanding during the respective fiscal years. There would be no significant reduction of net income per share if all of the options described in note 5 had been exercised.

### 11. COMMITMENTS

The company has authorized construction of office and warehouse facilities for occupancy by two of its subsidiaries. Construction costs estimated at \$2,100,000 are to be financed from operations.

The company has also authorized approximately \$500,000 for additional future property development expenditures.

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of General Distributors of Canada Ltd. and its subsidiary companies as at January 31, 1973 and the consolidated statements of earnings and retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position

of the companies as at January 31, 1973 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

March 14, 1973  
Winnipeg, Manitoba

McDONALD, CURRIE & CO.  
CHARTERED ACCOUNTANTS



